

# **CITY OF WALKER, MICHIGAN**

## **FINANCIAL STATEMENTS**

***FOR THE YEAR ENDED JUNE 30, 2008***



*Vredevelde Haefner LLC*

# CITY OF WALKER

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### **INDEPENDENT AUDITORS' REPORT**

October 24, 2008

Honorable Mayor and Members of the City Commission  
City of Walker, Michigan

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Walker, Michigan, (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Walker, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the City of Walker, Michigan as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparisons for the general fund and improvement revolving special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by generally accepted accounting principals in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Walker's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## Management's Discussion and Analysis

As management of the City of Walker, we offer readers of the City of Walker's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- Income tax revenues, our biggest source of revenue, increased by approximately \$200,000 from 06-07 to 07-08.
- Property tax collections increased by approximately \$98,000.
- The City of Walker continues to grow in the construction of new industrial and commercial buildings and new single family housing. Commercial development increased by \$1,460,000 with 4 new permits. Industrial sites increased by \$889,000 in new building structures. Permits were issued for 38 new family homes totaling \$5,652,000.
- A new Advantage Health facility opened at the corner of Wilson and Leonard.
- A new public road was built at the Avastar project (former Lear plant) on Alpine, complete with mast arm traffic signals. This improvement will allow for additional new development in the surrounding areas.
- Special assessment bonds of \$400,000 were issued during the year to fund the Avstar project.
- The City initiated enforcement proceedings relating to Industrial Facilities Exemption agreements with two companies, resulting in a repayment of abated taxes totaling approximately \$140,000. These funds were distributed to the City of Walker as well as the other taxing authorities.
- City management formed a cost reduction team consisting of employees and management personnel. The group identified a number of cost cutting measures that were implemented in the 2007/08 budget.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Walker's financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences, accrued interest, etc.).

Both of the government-wide financial statements distinguish functions of the City of Walker that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, public safety, public works including major and local street construction and maintenance, culture and recreation, capital outlay, and debt service activities. The City has no business-type activities.

The government-wide financial statements include the City of Walker (the *primary government*) as well as the legally separate Downtown Development Authority and Brownfield Redevelopment Authority component units for which the City is financially accountable. Financial information for the component units is reported separately from the financial information for the primary government.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Walker, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains ten individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, improvement revolving, and 2008 bond debt service funds, each of which is considered a major fund.

Data is combined into a single aggregated presentation for the other governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements and schedules*.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

**Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resource of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Walker, assets exceeded liabilities by \$70,711,704 at the close of the most recent fiscal year.

A portion of the City's net assets reflects unrestricted net assets which are available for future operations while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Summary of Net Assets

	<b>Governmental Activities</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
Current and other assets	\$8,950,206	\$8,999,236
Capital assets	79,987,272	78,985,961
<b>Total assets</b>	<b>88,937,478</b>	<b>87,985,197</b>
Long-term liabilities outstanding	15,249,228	15,721,490
Other liabilities	2,976,546	2,195,487
<b>Total liabilities</b>	<b>18,225,774</b>	<b>17,916,977</b>
<b>Net assets</b>		
Invested in capital assets, net		
of related debt	66,127,984	65,254,256
Restricted	1,096,377	566,713
Unrestricted	3,487,343	4,208,888
<b>Total net assets</b>	<b>\$70,711,704</b>	<b>\$70,029,857</b>

Net assets of the City, which consist only of governmental activities, increased by \$681,847 primarily due to increases in both income and property tax revenues and cost savings identified by the city's cost reduction team.

### Summary of Activities

	<b>Governmental Activities</b>	
	<u>2008</u>	<u>2007</u>
<b>Revenue</b>		
Program revenue		
Charges for services	\$ 3,386,548	\$ 4,212,740
Operating grants and contributions	1,814,618	1,568,775
Capital grants and contributions	148,500	-
General revenue		
Property taxes	1,413,903	1,691,821
Income taxes	8,044,716	7,828,845
Other governmental sources	1,686,946	1,716,766
Unrestricted investment earnings	226,634	342,105
Other	305,564	91,041
<b>Total revenue</b>	<u>17,027,429</u>	<u>17,452,093</u>
<b>Expenses</b>		
General government	2,312,297	4,498,588
Judicial	891,874	810,278
Public safety	6,723,307	6,825,329
Public works	3,883,025	3,059,913
Community and economic development	-	130,760
Culture and recreation	1,922,394	1,835,570
Interest	612,685	682,025
<b>Total expenses</b>	<u>16,345,582</u>	<u>17,842,463</u>
Increase(Decrease) in net assets	681,847	(390,370)
<b>Net assets-beginning of year- as restated</b>	<u>70,029,857</u>	<u>70,420,227</u>
<b>Net assets end of year</b>	<u>\$70,711,704</u>	<u>\$70,029,857</u>

**Governmental Activities.** During the year the City invested \$6,723,307 or 41.1% of governmental activities expenses in public safety. Public works, which includes major and local streets was \$3,883,025 or 23.8% of governmental activities expenses while general government, judicial, culture and recreation and interest on long-term debt made up the remaining 35.1% of governmental activities expenses.



## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,933,245, a decrease of \$777,784 in comparison with the prior year. Of the \$4,933,245, \$3,575,264 is reported in the general fund, and \$441,139 is report in the improvement revolving fund. The remaining amount of fund balance is reported in various funds as unreserved or reserved for certain uses such as street construction and maintenance, ice and fitness program, and debt service.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,575,264 and \$33,781 was reserved for cemetery operations. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 24.6% of total general fund expenditures and transfers. The fund balance of the City's general fund decreased by \$550,015 during the current fiscal year primarily due to transfers made to the major and local streets funds for street projects.

The improvement revolving fund is used to account for the resources of special assessment proceeds that are used for improvements in the special assessment districts. The unreserved fund balance at the end of the year amounted to \$420,513, a decrease of \$127,669 from the previous year. The decrease is primarily the result of special assessment projects completed during the current year which will be repaid to the City through multi year assessments.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental activities as of June 30, 2008, amounted to \$79,987,272 (net of accumulated depreciation).

The City's Capital Assets (net of depreciation) are summarized as follows:

<b>Capital Assets</b>	
	<b>Governmental Activities</b>
Land	\$2,820,745
Construction in progress	80,444
Buildings, Equipment and Infrastructure	77,086,083
<b>Total</b>	<b>\$79,987,272</b>

Additional information on the City of Walker capital assets can be found in the footnotes to these financial statements.

**Debt.** At the end of the current fiscal year, the City had total debt outstanding of \$15,249,228 summarized as follows:

<b>Debt</b>	
	<b>Governmental Activities</b>
Accrued employee benefits	\$ 1,389,940
Notes payable	429,288
Bonds payable	<u>13,430,000</u>
<b>Total</b>	<b><u>\$15,249,228</u></b>

The City's issued a note payable of \$131,200 to fund the purchase of a truck, issued a special assessment bond payable of \$400,000, and made debt payments totaling \$1,046,886 during the year. Additional information on the City's long-term debt can be found in the footnotes to these financial statements.

### **Budgetary Highlights**

- The original general fund budget was adjusted by \$220,000 to account for a decrease in fines revenue. The adjusted budget projected a decrease in the general fund balance of \$742,996. Expenses were held in check and revenues exceeded projections resulting in a General Fund fund balance decrease of \$555,015, nearly \$200,000 better than projected.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2008-09 fiscal year:

- The City of Walker maintained its millage rate at 1.3, which is one of the lowest rates among local Cities which levy an income tax.
- A 3% salary increase was included in all departments, including unionized staff.
- Property values in the City showed a small decline in most areas due to the recent housing slump in the State of Michigan.
- Pension and health insurance costs were projected to increase by 8%.
- The employee contribution to health care costs remains at 5% this fiscal year
- The City continues to carefully monitor programs and services to provide the highest level of service while keeping costs in check.
- The City Commission implemented a new strategic plan in early 2008. The intent of the plan is to improve organizational effectiveness and accountability.
- The City continues to partner with other communities to improve efficiency and reduce costs in service delivery

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, City of Walker, 4243 Remembrance Rd. NW, Walker, MI. 49534

## **BASIC FINANCIAL STATEMENTS**

**CITY OF WALKER**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

	<u>Primary Government Governmental Activities</u>	<u>Component Units Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>
<b>Assets</b>			
Cash and pooled investments	\$ 3,815,387	\$ 266,380	\$ 113,532
Accounts receivable	1,013,392	48,667	1,021,112
Special assessments receivable	2,518,578	24,108	-
Due from other governments	820,681	-	-
Internal balances	76,208	-	-
Prepaid items	20,626	-	-
Inventory	277,638	-	-
Unamortized bond issuance costs	167,764	26,025	-
Net pension asset	238,752	-	-
Capital assets			
Land	2,820,745	1,463,159	-
Construction in progress	80,444	-	-
Depreciable capital assets, net	<u>77,086,083</u>	<u>2,536,781</u>	<u>-</u>
<b>Total assets</b>	<u>88,937,478</u>	<u>4,365,118</u>	<u>1,134,644</u>
<b>Liabilities</b>			
Accounts payable	524,384	103,780	-
Accrued liabilities	340,887	22,686	1,437
Unearned revenue	2,111,275	-	-
Noncurrent liabilities			
Compensated absences	1,388,940	-	-
Due within one year	1,127,228	240,807	25,588
Due in more than one year	<u>12,732,080</u>	<u>2,760,854</u>	<u>1,166,079</u>
<b>Total liabilities</b>	<u>18,225,774</u>	<u>3,128,127</u>	<u>1,193,104</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	66,127,884	1,024,304	-
Restricted for:			
Debt service	118,789	-	-
Streets	370,385	-	-
Public safety	168,104	-	-
Capital projects	441,139	-	-
Unrestricted	<u>3,487,343</u>	<u>212,687</u>	<u>(58,460)</u>
<b>Total net assets</b>	<u>\$ 70,711,704</u>	<u>\$ 1,238,991</u>	<u>\$ (58,460)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WALKER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<u>Functions/ Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary government</b>					
Governmental activities					
General government	\$ 2,312,297	\$ 488,623	\$ 195,976	\$ -	\$ (1,627,598)
Judicial	891,874	-	-	-	(891,874)
Public safety	6,723,307	824,510	20,356	-	(5,878,441)
Public works	3,883,025	784,534	1,569,957	148,500	(1,370,034)
Culture and recreation	1,922,394	1,278,881	28,329	-	(615,184)
Interest on long-term debt	612,685	-	-	-	(612,685)
<b>Total primary government</b>	<b>\$ 15,345,582</b>	<b>\$ 3,386,548</b>	<b>\$ 1,814,618</b>	<b>\$ 148,500</b>	<b>\$ (10,995,916)</b>
<b>Component units</b>					
Downtown Development Authority	\$ 408,893	\$ 70,000	\$ 142,897	\$ -	\$ (195,996)
Brownfield Redevelopment Authority	72,991	-	-	-	(72,991)
<b>Total component units</b>	<b>\$ 481,884</b>	<b>\$ 70,000</b>	<b>\$ 142,897</b>	<b>\$ -</b>	<b>\$ (268,987)</b>

(Continued)

The accompanying notes are an integral part of these financial statements.

**CITY OF WALKER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Primary Government Governmental Activities</u>	<u>Component Units Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>
<b>Changes in net assets</b>			
<b>Net (expense) revenue</b>	\$ (10,885,916)	\$ (195,998)	\$ (72,991)
General revenues			
Income taxes	8,044,718	-	-
Property taxes	1,413,903	334,955	99,375
State shared revenues	1,686,946	-	-
Unrestricted investment earnings	228,634	11,291	3,215
Other general revenues	<u>305,564</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>11,677,763</u>	<u>346,246</u>	<u>102,590</u>
Change in net assets	681,847	150,250	29,599
Net assets, beginning of year, as restated	<u>70,029,857</u>	<u>1,088,741</u>	<u>(88,059)</u>
Net assets, end of year	<u>\$ 70,711,704</u>	<u>\$ 1,238,991</u>	<u>\$ (58,460)</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

**CITY OF WALKER**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2008**

	<u>General</u>	<u>Improvement Revolving</u>	<u>2008 Bond Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 2,472,197	\$ 430,915	\$ 3,859	\$ 673,488	\$ 3,580,459
Accounts receivable	932,008	30,925	-	8,133	971,066
Accrued interest receivable	2,882	7	-	948	3,837
Special assessment receivable	-	2,104,525	403,863	10,190	2,518,578
Due from other governments	559,402	17,992	-	243,467	820,861
Due from other funds	76,208	-	-	2,017	78,225
Prepaid items	-	20,626	-	-	20,626
Inventory	-	-	-	207,995	207,995
<b>Total assets</b>	<b>\$ 4,042,897</b>	<b>\$ 2,604,990</b>	<b>\$ 407,722</b>	<b>\$ 1,146,238</b>	<b>\$ 8,201,647</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 237,289	\$ 59,326	\$ -	\$ 194,560	\$ 491,175
Accrued liabilities	212,069	-	-	26,488	238,557
Due to other funds	-	-	-	2,017	2,017
Deferred revenue	18,075	2,104,526	403,863	10,190	2,536,653
<b>Total liabilities</b>	<b>467,433</b>	<b>2,163,851</b>	<b>403,863</b>	<b>233,255</b>	<b>3,268,402</b>
<b>Fund balances</b>					
Reserved for					
Prepaid items	-	20,626	-	-	20,626
Cemetery	33,781	-	-	-	33,781
Inventory	-	-	-	207,995	207,995
Unreserved					
Undesignated	3,541,483	420,513	3,859	-	3,965,855
Undesignated reported in nonmajor					
Special revenue funds	-	-	-	592,078	592,078
Debt service funds	-	-	-	112,910	112,910
<b>Total fund balances</b>	<b>3,575,264</b>	<b>441,139</b>	<b>3,859</b>	<b>912,983</b>	<b>4,933,245</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,042,897</b>	<b>\$ 2,604,990</b>	<b>\$ 407,722</b>	<b>\$ 1,146,238</b>	<b>\$ 8,201,647</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF WALKER

## **RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS**

**JUNE 30, 2008**

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<b>Fund balances - total governmental funds</b>	<b>\$ 4,933,245</b>
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Amounts reported for *governmental activities* in the statement of net assets are different because

Capital assets used in governmental activities and the net pension asset are not current financial resources and therefore are not reported in the funds.

Add - land	2,820,745
Add - construction in progress	80,444
Add - capital assets (net of accumulated depreciation)	74,768,718
Add - net pension asset	239,752

Certain assets are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.

Add - long-term deferred receivables	425,378
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Internal service funds are used by management to charge the costs of centralized services, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.

Add - net assets of governmental activities accounted for in the internal service funds	2,149,230
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deduct - compensated absences payable	(1,352,360)
Deduct - bonds payable	(13,430,000)
Add - Unamortized bond premium and refunding costs	167,764
Deduct - accrued interest on bonds payable	<u>(91,212)</u>

<b>Net assets of governmental activities</b>	<b><u>\$ 70,711,704</u></b>
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The accompanying notes are an integral part of these financial statements.



**CITY OF WALKER**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES**

**AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Improvement Revolving</u>	<u>2008 Bond Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>					
Taxes	\$ 9,036,247	\$ -	\$ -	\$ -	\$ 9,036,247
Intergovernmental revenues					
State	1,686,946	-	-	1,566,049	3,251,995
Local	195,976	-	-	168,856	364,832
Licenses and permits	271,466	-	-	-	271,466
Charges for services	183,313	-	-	1,201,475	1,384,788
Fines	775,611	-	-	-	775,611
Special assessments	-	130,119	-	3,438	133,557
Investment earnings	193,097	12,074	3,859	22,512	231,542
Donations	28,329	-	-	-	28,329
Miscellaneous	331,811	-	-	5,500	337,311
<b>Total revenues</b>	<u>13,502,796</u>	<u>142,193</u>	<u>3,859</u>	<u>2,966,830</u>	<u>16,615,678</u>
<b>Expenditures</b>					
Current					
Judicial	882,505	-	-	-	882,505
General government	2,363,148	-	-	-	2,363,148
Public safety	6,603,203	-	-	67,058	6,670,261
Public works	559,638	669,862	-	2,585,081	3,814,582
Culture and recreation	498,709	-	-	1,165,780	1,664,489
Planning and economic development	130,365	-	-	-	130,365
Other	727,658	-	-	-	727,658
Debt service					
Principal	-	-	-	930,000	930,000
Interest	-	-	-	610,454	610,454
<b>Total expenditures</b>	<u>11,765,227</u>	<u>669,862</u>	<u>-</u>	<u>5,358,373</u>	<u>17,793,462</u>
<b>Revenues over (under) expenditures</b>	<u>1,737,569</u>	<u>(527,669)</u>	<u>3,859</u>	<u>(2,391,543)</u>	<u>(1,177,784)</u>
<b>Other financing sources (uses)</b>					
Bond issue	-	400,000	-	-	400,000
Transfers in	-	-	-	2,966,459	2,966,459
Transfers out	(2,287,584)	-	-	(678,875)	(2,966,459)
<b>Total other financing sources (uses)</b>	<u>(2,287,584)</u>	<u>400,000</u>	<u>-</u>	<u>2,287,584</u>	<u>400,000</u>
<b>Net changes in fund balances</b>	<u>(550,015)</u>	<u>(127,669)</u>	<u>3,859</u>	<u>(103,959)</u>	<u>(777,784)</u>
<b>Fund balances, beginning of year, as restated</b>	<u>4,125,279</u>	<u>588,808</u>	<u>-</u>	<u>1,016,942</u>	<u>5,711,029</u>
<b>Fund balances, end of year</b>	<u>\$ 3,575,264</u>	<u>\$ 461,139</u>	<u>\$ 3,859</u>	<u>\$ 912,983</u>	<u>\$ 4,933,245</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF WALKER

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

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Net changes in fund balances - total governmental funds	\$ (777,784)
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Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	2,924,295
Deduct - depreciation expense	(2,412,758)

Certain receivables are long-term in nature and are collectable over several years. However the current year's receipts are reflected as revenues on the fund statements.

Add - change in long-term receivables	411,751
Add - increase in net pension asset	116,920

Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on debt	930,000
Deduct - bond issue	(400,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in compensated absences	(42,471)
Add - decrease in accrued interest	11,791
Deduct - amortization of bond issuance costs	(14,022)

Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

Add - increase in net assets from the internal service funds	(65,875)
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Change in net assets of governmental activities	\$ <u>681,847</u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF WALKER**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
<b>Taxes</b>				
Income taxes	\$ 8,000,000	\$ 8,000,000	\$ 8,044,716	\$ 44,716
Property taxes	1,774,500	1,774,500	1,791,531	17,031
<b>Intergovernmental revenues</b>				
State	1,700,000	1,700,000	1,688,946	(13,054)
Cable franchise fees	170,000	170,000	195,976	25,976
Licenses and permits	409,400	309,400	271,466	(37,934)
Charges for services	206,800	196,800	183,313	(13,487)
Fines	898,640	778,640	775,811	(3,029)
Donations	20,000	20,000	28,329	8,329
Investment earnings	170,000	170,000	193,097	23,097
Miscellaneous	247,400	347,400	331,611	(15,589)
<b>Total revenues</b>	<u>13,696,740</u>	<u>13,466,740</u>	<u>13,502,796</u>	<u>36,056</u>
<b>Expenditures</b>				
<b>Current</b>				
Judicial	894,782	867,782	882,505	(14,723)
General government	2,372,356	2,367,356	2,363,148	(5,793)
Public safety	6,683,644	6,683,644	6,603,203	80,441
Public works	606,708	563,708	559,639	4,069
Culture and recreation	533,776	527,776	498,709	29,067
Planning and economic development	130,739	130,739	130,365	374
Other	850,715	790,715	727,658	63,057
<b>Total expenditures</b>	<u>12,072,718</u>	<u>11,921,719</u>	<u>11,765,227</u>	<u>156,492</u>
<b>Revenues over (under) expenditures</b>	<u>1,624,021</u>	<u>1,545,021</u>	<u>1,737,569</u>	<u>192,548</u>
<b>Other financing sources (uses)</b>				
Use of fund balance	533,996	742,996	-	(742,996)
Transfers in	-	-	-	-
Transfers out	(2,156,017)	(2,288,017)	(2,287,584)	433
<b>Total other financing sources (uses)</b>	<u>(1,624,021)</u>	<u>(1,545,021)</u>	<u>(2,287,584)</u>	<u>(742,563)</u>
<b>Net changes in fund balance</b>	-	-	(550,015)	(550,015)
<b>Fund balance, beginning of year, as restated</b>	<u>4,125,279</u>	<u>4,125,279</u>	<u>4,125,279</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 4,125,279</u>	<u>\$ 4,125,279</u>	<u>\$ 3,575,264</u>	<u>\$ (550,015)</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF WALKER

## IMPROVEMENT REVOLVING FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
<b>Revenues</b>				
Special assessment	\$ 4,500	\$ 4,500	\$ 130,119	\$ 125,619
Investment earnings	<u>6,000</u>	<u>6,000</u>	<u>12,074</u>	<u>6,074</u>
<b>Total revenues</b>	10,500	10,500	142,193	131,693
<b>Expenditures</b>				
Current				
Public works	<u>250,000</u>	<u>250,000</u>	<u>669,862</u>	<u>(419,862)</u>
Revenues over (under) expenditures	(239,500)	(239,500)	(527,669)	(288,169)
Other financing source (uses)				
Bond issue	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>400,000</u>
Net changes in fund balance	(239,500)	(239,500)	(127,669)	111,831
Fund balance, beginning of year	<u>568,808</u>	<u>568,808</u>	<u>568,808</u>	<u>-</u>
Fund balance, end of year	<u>\$ 329,308</u>	<u>\$ 329,308</u>	<u>\$ 441,139</u>	<u>\$ 111,831</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF WALKER

## CAPITAL EQUIPMENT REPLACEMENT INTERNAL SERVICE FUND STATEMENT OF NET ASSETS

JUNE 30, 2008

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### Assets

Current assets	
Cash and pooled investments	\$ 234,928
Accounts receivable	38,489
Inventory	<u>69,643</u>
Total current assets	<u>343,060</u>
Non-current assets	
Capital assets	
Vehicles	5,828,185
Less accumulated depreciation	<u>(3,510,820)</u>
Total non-current assets	<u>2,317,365</u>
Total assets	<u>2,660,425</u>

### Liabilities

Current liabilities	
Accounts payable	33,209
Accrued liabilities	11,118
Current portion of notes payable	<u>117,228</u>
Total current liabilities	<u>161,555</u>
Long-term liabilities	
Compensated absences	37,580
Notes payable, net of current portion	<u>312,060</u>
Total long-term liabilities	<u>349,640</u>
Total liabilities	<u>511,195</u>

### Net assets

Investment in capital assets net of related debt	1,888,077
Unrestricted	<u>261,153</u>
Total net assets	<u>\$ 2,149,230</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF WALKER

## **CAPITAL EQUIPMENT REPLACEMENT INTERNAL SERVICE FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2008**

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<b>Operating revenue</b>	
Charges for services	\$ 914,540
Other	<u>1,885</u>
<b>Total operating revenue</b>	<u>916,425</u>
<b>Operating expense</b>	
Personnel costs	247,321
Operating supplies and expenses	47,677
Repair and maintenance	118,599
Gas and oil	251,261
Other expenses	1,385
Depreciation	<u>333,412</u>
<b>Total operating expense</b>	<u>999,655</u>
Operating income (loss)	<u>(83,230)</u>
Non-operating revenue (expense)	
Interest income	7,216
Gain on sale of capital assets	35,301
Interest expense	<u>(25,152)</u>
Total non-operating revenue (expense)	<u>17,365</u>
Changes in net assets	(65,875)
<b>Net assets, beginning of year, as restated</b>	<u>2,215,105</u>
<b>Net assets, end of year</b>	<u>\$ 2,149,230</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF WALKER

## CAPITAL EQUIPMENT REPLACEMENT INTERNAL SERVICE FUND STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

<b>Cash flows from operating activities</b>	
Receipts from internal services provided	\$ 916,425
Payments to employees	(237,812)
Payments to suppliers	<u>(437,885)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>240,728</u>
<b>Cash flows from capital and related financing activities</b>	
Proceeds from sale of capital assets	35,301
Interest expense	(17,672)
Principal payment on installment notes	(116,886)
Acquisitions of capital assets	<u>(127,500)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(226,757)</u>
<b>Cash flows from investing activities</b>	
Interest income	<u>7,216</u>
<b>Net increase (decrease) in cash and pooled investments</b>	21,187
<b>Cash and pooled investments, beginning of year</b>	<u>213,741</u>
<b>Cash and pooled investments, end of year</b>	<u>\$ 234,928</u>
<b>Cash flows from operating activities</b>	
Operating income (loss)	\$ (83,230)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	333,412
Change in operating assets and liabilities which provided (used) cash	
Accounts receivable	(38,489)
Accounts payable	27,016
Accrued liabilities	1,066
Compensated absences	<u>953</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 240,728</u>

### Noncash Activity

During the year, the City purchased a truck by issuing a note payable in the amount of \$131,200 to finance the purchase.

The accompanying notes are an integral part of these financial statements.

**CITY OF WALKER**  
**AGENCY FUNDS**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**JUNE 30, 2008**

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	<u><b>Total</b></u>
<b>Assets</b>	
Cash and pooled investments	\$ 416,972
Accounts receivable	<u>384</u>
<b>Total assets</b>	<u><b>\$ 417,356</b></u>
<b>Liabilities</b>	
Accounts payable	\$ 1,837
Due to other funds	76,208
Deposits	277,743
Due to other governmental units	<u>61,568</u>
<b>Total liabilities</b>	<u><b>\$ 417,356</b></u>

The accompanying notes are an integral part of these financial statements.



# CITY OF WALKER

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Walker, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

#### ***Reporting Entity***

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the City. A separate section of the Basic Financial Statements provides detailed financial information on the discretely presented component units.

#### ***Blended Component Units***

*The 59<sup>th</sup> District Court* has been blended into the General Fund of the City's financial statements. Although the Court operates under the direction of the district judge, it is reported as if it was part of the primary government because of the fiduciary responsibility the City retains relative to the operations of the Court.

*The City of Walker Building Authority* is governed by a five-member board that is appointed by the City Commission. Although it is legally separate from the City, it is reported as if it was part of the primary government because its primary purpose is to monitor and finance the construction of the City's public buildings.

#### ***Discretely Presented Component Units***

The component unit columns in the government-wide financial statements include the financial data of the Downtown Development Authority (DDA) and Brownfield Redevelopment Authority. These component units provide services to the businesses located within the districts. They are reported in a separate column to emphasize they are legally separate from the City.

*The City of Walker Downtown Development Authority* is responsible for the improvement and ongoing maintenance and debt service of the Downtown Development Improvement District. The Authority's governing body, which consists of eight individuals, is selected by the City Commission. Separate financial statements are not prepared for the Downtown Development Authority.

*The City of Walker Brownfield Redevelopment Authority* was created to account for the redevelopment of environmentally contaminated and other underutilized sites within the City. The Authority's governing body, which consists of five individuals, is selected by the City Commission. Separate financial statements are not prepared for the Brownfield Redevelopment Authority.

**CITY OF WALKER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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The budgets of these Authorities must be approved by the City Commission, and the City has the ability to significantly influence their operations. Financial statements are not separately issued for the component units.

***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between internal service functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City does not have any business-type activities. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the internal service fund are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use a one year collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

# CITY OF WALKER

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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Property taxes, income tax, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's internal service fund are charges to City departments for shared costs and equipment utilization. Operating expenses for the internal fund includes the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Improvement Revolving Special Revenue Fund* accounts for the resources of special assessment proceeds that are used for improvements on special assessment districts.

The *2008 Bond Debt Service Fund* provide for the assessment and related debt service payments for the 2008 bond issue.

The City reports the following internal service fund:

The *Capital Equipment Replacement Internal Service Fund* is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or to other governments, primarily on a cost of reimbursements basis. The Capital Equipment Replacement Fund rents vehicles and equipment to the police, fire and public works departments.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The various *Debt Service Funds* account for the collections of special assessments and contributions from benefiting city funds to be used in retiring the outstanding long-term debt of the City.

The *Agency Funds* are used to account for assets held in an agency capacity on behalf of outside parties, including other governments.

Private-sector standards for accounting and financial reporting issued prior to December 1, 1989, generally are followed by the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

# **CITY OF WALKER**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2008**

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When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resource as they are needed.

#### ***Budgets and Budgetary Accounting***

Comparisons to budget are presented for the general and special revenue funds. General and special revenue funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first City Commission meeting in May, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriations lapse at fiscal year end.
6. Adoption and amendments of all budgets used by the City are governed by Michigan state law. The appropriations resolution is based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Michigan law. Any revisions that alter the total expenditures of any department must be approved by the City Commission. The City Manager is authorized to transfer budgeted amounts within a department subject to the condition that the total expenditures do not exceed the approved appropriations by department. Thus the legal level of budgetary control is at the department level. Supplemental appropriations were necessary during the year.

#### ***Cash and Pooled Investments***

For the purpose of the statement of cash flows, the City considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal of these balances at any time similar to a demand deposit account.

City investment policy allows for all investment authorized by State statutes. State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

# **CITY OF WALKER**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2008**

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- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
  - d. Bankers acceptances of United States banks.
  - e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
  - f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
  - g. External investment pools as authorized by Public Act 20 as amended.

### ***Receivables***

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial to the financial statements.

### ***Special Assessments Receivable***

Special assessments receivable consist of long-term receivables from customers and benefited parties for various infrastructure improvement projects.

### ***Inventory and Prepaid Items***

All inventories are valued at original cost using the first-in/first-out (FIFO) method. Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

### ***Capital Assets***

Capital assets, which include land, construction in progress, buildings and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (infrastructure utilizes \$10,000 or more) and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added since 1945.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

# CITY OF WALKER

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2008

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Depreciation on capital assets (including infrastructure) is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Infrastructure	5-60
Land improvements	5-30
Buildings and improvements	7-40
Vehicles	2-5
Office Furnishings	5-7
Other tool and equipments	5-20

#### ***Deferred Revenue***

Funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the funds were as follows:

Governmental funds	
08-09 revenue received in advance	\$ 18,075
Long-term portion of assessments receivable	<u>2,518,578</u>
Total governmental funds	<u>\$2,536,653</u>

#### ***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

#### ***Compensated Absences***

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation, paid time off (PTO), and sick leave under formulas and conditions specified in the contracts. Accumulated compensated absences of governmental funds is recorded on the statement of net assets and not on the governmental fund balance sheets because the balance is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net assets of the individual enterprise funds.

# CITY OF WALKER

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

### **Property Taxes**

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before September 19. Winter taxes are levied December 1 and are due without penalty on or before February 14. Tax bills include the City's own property taxes and taxes billed on behalf of other taxing units. Real property taxes not collected as of March 1 are turned over to the applicable county for collection, which advances the City 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Taxes collect on behalf of other taxing units is accounted for in the agency funds. Property taxes levied in July of each year are recognized as revenue in the year in which they are levied.

### **Income Taxes**

The City has a local income tax for all city residents, businesses, and individuals working in the City. Income taxes receivable represents estimated income taxes for wages and profits through June 30, 2008 net of estimated refunds.

### **Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. Changes between enterprise funds and other functions of the City are not reimbursements because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Remaining transactions are generally reflected as transfers.

## **2. DEFICIT FUND BALANCE/NET ASSETS**

At June 30, 2008 the Brownfield Redevelopment Authority reports a deficit in its net assets of \$58,480.

## **3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a functional basis. The approved budgets of the City for these budgeted funds were adopted at the activity level.

During the year ended June 30, 2008, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund			
Judicial			
District court	\$867,782	\$882,505	\$(14,723)

# CITY OF WALKER

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2008**

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General government			
City council	86,830	93,754	(6,924)
City managers office	637,396	640,637	(3,241)
City assessor	236,513	240,930	(4,417)
City clerk	214,346	228,451	(14,105)
Buildings and grounds	532,151	545,648	(13,497)
Public Works			
Drains	97,163	98,347	(1,184)
Street lighting	175,000	187,700	(12,700)
Culture and recreation			
Museum	3,500	4,711	(1,211)
Planning and economic development			
Planning	121,539	123,715	(2,176)
<b>Special revenue funds</b>			
Improvement revolving fund			
Public works	250,000	669,862	(419,862)
Major streets fund			
Debt service interest	67,408	67,826	(418)
Local streets fund			
Public works	898,014	926,182	(28,168)
Ice and fitness program fund			
Culture and recreation	1,099,758	1,165,780	(66,022)
Dispatch training fund			
Public safety	-	2,665	(2,665)
<b>Downtown Development Authority</b>			
DDA general fund			
Community development	55,000	92,744	(37,744)
Debt service interest	112,700	129,771	(17,071)
DDA streetscape maintenance fund			
Community development	99,000	101,276	(2,276)
<b>Brownfield Redevelopment Authority</b>			
Brownfield general fund			
Public works	-	68,100	(68,100)
Debt service principal	-	25,024	(25,024)
Debt service interest	-	4,876	(4,876)

#### 4. CASH AND POOLED INVESTMENTS

The captions on the financial statements relating to cash and pooled investments are as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and pooled investments	\$3,815,387	\$379,912	\$416,972	\$4,612,271

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value. Interest is recorded when earned.



# CITY OF WALKER

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$4,045,174 of the City's bank balance of \$4,845,174 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

### Investments

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following deposits and investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Mutual fund account	N/A	\$444,484	Unrated	n/a

The above investments do not include certificates of deposit which are classified as deposits for risk identification purposes.

### Investment and deposit risk

**Interest Rate Risk.** State law and City policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year end.

**Custodial Credit Risk - Investments.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above mutual fund investments the City's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

**Concentration of Credit Risk.** State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

# CITY OF WALKER

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

### 5. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables of individual funds at June 30, 2008 were as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	
	<u>Agency Funds</u>	<u>Nonmajor governmental funds</u>
General fund	\$76,208	\$ -
Nonmajor governmental funds	-	2,017
<b>Total</b>	<b>\$76,208</b>	<b>\$ 2,017</b>
		<b>\$78,225</b>

Interfund balances reflect loans made from funds with cash and pooled investments to those funds requiring temporary cash flow.

### 6. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2008 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>	
	<u>Nonmajor governmental</u>	<u>Total</u>
General fund	\$2,287,584	\$2,287,584
Nonmajor governmental	678,875	678,875
<b>Total</b>	<b>\$2,966,459</b>	<b>\$2,966,459</b>

Transfers are used to (1) move unrestricted revenues collected in the General Fund to finance capital and other various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

### 7. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 2,820,745	\$ -	\$ -	\$ 2,820,745
Construction in progress	-	80,444	-	80,444
<b>Total capital assets, not being depreciated</b>	<b>2,820,745</b>	<b>80,444</b>	<b>-</b>	<b>2,901,189</b>
<b>Capital assets, being depreciated</b>				
Land improvements	1,930,895	8,206	-	1,939,201
Buildings and improvements	21,112,338	26,205	-	21,138,543
Vehicles	1,073,375	114,123	(89,527)	1,097,971

# CITY OF WALKER

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2008**

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Other tools and equipment	7,484,922	288,503	(105,584)	7,667,841
Office furnishings	675,689	101,283	-	776,972
Infrastructure	79,282,179	2,564,232	-	81,846,411
Total capital assets, being depreciated	<u>111,559,498</u>	<u>3,102,552</u>	<u>(195,111)</u>	<u>114,465,939</u>
Less accumulated depreciation for				
Land improvements	826,110	94,315	-	920,425
Buildings and improvements	6,351,062	546,282	-	6,897,344
Vehicles	868,790	123,227	(89,527)	892,490
Other tools and equipment	4,644,083	351,678	(105,584)	4,890,177
Office furnishings	454,960	41,842	-	496,802
Infrastructure	21,694,792	1,688,826	-	23,283,618
Total accumulated depreciation	<u>34,829,797</u>	<u>2,746,170</u>	<u>(195,111)</u>	<u>37,380,856</u>
Net capital assets, being depreciated	<u>76,729,701</u>	<u>356,382</u>	<u>-</u>	<u>77,086,083</u>
Governmental Activities capital assets, net	<u>\$ 78,550,446</u>	<u>\$ 436,826</u>	<u>\$ -</u>	<u>\$79,987,272</u>

Capital asset activity for the Downtown Development Authority (DDA) and the Brownfield Redevelopment Authority for the year ended June 30, 2008 was as follows

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<b>Component units</b>				
Capital assets not being depreciated				
Land	\$1,463,159	\$ -	\$ -	\$1,463,159
Capital assets being depreciated				
Land improvements	55,839	-	-	55,839
Infrastructure	183,893	37,069	-	220,962
Buildings	2,515,680	-	-	2,515,680
Office furnishings	50,708	7,485	-	58,193
Total capital assets being depreciated	<u>2,807,120</u>	<u>44,554</u>	<u>-</u>	<u>2,851,674</u>
Less accumulated depreciation for				
Land improvements	11,500	2,974	-	14,474
Infrastructure	157,196	13,593	-	170,789
Buildings	62,917	62,917	-	125,834
Office furnishings	845	2,951	-	3,796
Total accumulated depreciation	<u>232,458</u>	<u>82,435</u>	<u>-</u>	<u>314,893</u>
Net capital assets, being depreciated	<u>2,574,662</u>	<u>(37,881)</u>	<u>-</u>	<u>2,536,781</u>
Component Units capital assets, net	<u>\$4,037,821</u>	<u>\$ 37,881)</u>	<u>\$ -</u>	<u>\$3,999,940</u>

**CITY OF WALKER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities</b>	
General government	\$ 1,825,881
Public safety	176,378
Public works	42,467
Culture and recreation	363,831
Judicial	4,201
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>333,412</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$2,745,170</u></b>

**8. PENSION PLANS**

**Defined Contribution Pension Plan**

The City of Walker provides pension benefits to substantially all of its full-time employees hired after July 1, 2005 through a defined contribution plan administered by ICMA. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City contributes 10 percent of employees' eligible earnings, as defined in the plan document which may be amended by the City Commission. In accordance with these requirements, the City contributed \$377,316 during the year ended June 30, 2008. In addition, employee contributions amounted to \$77,531 during the year ended June 30, 2008.

**Defined Benefit Plan**

*Plan Description*

As of July 1, 2006 the City began participating in the Municipal Employees' Retirement System of Michigan (MERS), an agent multi-employer defined benefit pension plan providing retirement, death and disability benefits. The System is administered by the MERS retirement board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

Only employees hired prior to July 1, 2005 participate in the defined benefit plan. The City is required to contribute at an actuarially determined rate, which for the current year was 39.7%, 16.7% or 22.1% of annual covered payroll depending on participating division. Certain bargaining units are required to contribute 1% percent of gross wages to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

# CITY OF WALKER

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

For the year ended June 30, 2008, actual contributions made by the City totaled \$698,826 which exceeded the City's annual pension cost of \$581,906 for MERS. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of eight (8.0) percent; and (b) projected salary increases of four and one-half (4.5) percent per year compounded annually based on inflation, plus from 0% to 8.4% based on an age-related scale to reflect merit, longevity and promotional salary increases. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The difference in investment income between expected return and market return is recognized over a 10-year period at the rate of 10% per year. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an closed basis. The remaining amortization period at December 31, 2007, the date of the latest actuarial valuation, was 28 years.

### Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/07	\$587,101	121%	\$ (122,832)
6/30/08	581,906	120%	(239,752)

### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
12/31/08	\$8,783,397	\$15,533,053	\$6,749,656	57%	\$2,692,889	251%
12/31/07	9,454,047	16,254,008	6,799,961	58%	2,616,082	260%

The City's annual pension cost and net pension asset for the current year are as follows:

Actuarially determined contribution	\$579,648
Interest on net pension asset	9,826
Adjustment to actuarially determined contribution	(7,568)
Annual pension cost	581,906
Contributions made	698,826
Increase in net pension asset	116,920
Net pension asset, beginning of year	122,832
Net pension asset, end of year	\$239,752

# CITY OF WALKER

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

### 9. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
2004 Road Improvement Michigan Transportation Fund Bonds (LTGO), due in annual installments of \$60,000 to \$115,000 through June 1, 2019; interest at 3.35% to 4.35%.	\$1,080,000	\$ -	\$ 70,000	\$ 1,010,000	\$ 70,000
2006 Road Improvement Michigan Transportation Funds Bonds (LTGO), due in annual installments of \$35,000 to \$55,000 through June 1, 2019; interest at 3.90% to 4.55%.	550,000	-	35,000	515,000	40,000
1999 Building Improvement Building Authority Bonds (LTGO), due in annual installments of \$340,000 to \$380,000 through May 1, 2010; interest at 5.20%.	1,080,000	-	340,000	740,000	360,000
2005 Building Authority Refunding Bonds (LTGO), due in annual installments of \$25,000 to \$650,000 through May 1, 2020, interest at 3 125% to 5 00%	5,315,000	-	25,000	5,290,000	25,000
2006 Building Authority Refunding Bonds (LTGO), due in annual installments of \$430,000 to \$650,000 through May 1, 2018; interest at 3.75% to 5.00%.	5,810,000	-	430,000	5,380,000	445,000
1998 Water and Sewer Improvement Special Assessment Bonds, due in annual installments of \$30,000 to \$35,000 through December 1, 2010; interest at 5.10% to 5.40%.	125,000	-	30,000	95,000	30,000
2008 Special Assessment Bonds, due in annual installments of \$40,000 to \$45,000 through April 1, 2017, interest at 3.2% to 4.1%	-	400,000	-	400,000	40,000
Installment note payable for 2005 Fire Equipment, payable in annual installments of \$38,375 to \$62,387 through June 1, 2009; interest at 4.45%	107,591	-	45,204	62,387	62,387

# CITY OF WALKER

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Installment note payable for 2007 Fire Equipment, payable in annual installments of \$39,000 to \$47,000 through December 1, 2013; interest at 4.34%	294,000	-	39,515	254,485	38,040
2005 Maintenance Equipment Capital Lease, due in annual installments of \$13,383 through July 15, 2007; interest at 3.21%	13,383	-	13,383	-	-
Installment note payable for 2008 equipment, due in annual installments of \$16,801 to \$20,778 through May 1, 2014, interest at 4.34%	-	131,200	18,784	112,416	16,801
<b>Total</b>	<b>14,374,974</b>	<b>531,200</b>	<b>1,048,886</b>	<b>13,859,288</b>	<b>1,127,228</b>
Accrued compensated absences	1,346,516	43,424	-	1,389,940	-
<b>Total Governmental Activities</b>	<b>\$15,721,490</b>	<b>\$574,624</b>	<b>\$1,048,886</b>	<b>\$15,249,228</b>	<b>\$1,127,228</b>

On November 2, 2005, the City issued \$5,340,000 in general obligation bonds to advance refund \$5,145,000 of outstanding 1999 general obligation bonds. The 1999 bonds are anticipated to be called and repaid by the escrow agent, May 1, 2010. As a result, the irrevocable trust escrow account assets and the related liability for the defeased bonds are not included in the City's financial statements. At year end, \$5,145,000 of bonds outstanding are considered defeased.

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
<b>Component Units</b>					
2004 Downtown Improvement DDA Bonds (LTGO), due in annual installments of \$30,000 to \$55,000 through May 1, 2020; interest at 2.30% to 4.30%.	\$ 545,000	\$ -	\$ 30,000	\$ 515,000	\$ 35,000
2006 Downtown Improvement DDA Bonds (LTGO), due in annual installments of \$100,000 to \$190,000 through May 1, 2023; interest at 4.00% to 4.125%.	2,280,000	-	100,000	2,180,000	105,000
2004 Brownfield Redevelopment DEQ, due in annual installments of \$29,900 through March 10, 2015; including interest at 2.25%	216,691	-	25,024	191,667	25,588

# CITY OF WALKER

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
2007 Brownfield Redevelopment DEQ, due in annual installments of \$100,174 beginning February 2012 through February 5, 2022; including interest at 2.00%	\$1,000,000	\$ -	\$ -	\$1,000,000	\$ -
2005 DDA Property Purchase, due in monthly installments of \$1,120 through December 1, 2012; including interest at 6.98%	116,969	-	5,308	111,661	5,807
2007 DDA Property Purchase, due in full by December 31, 2008; non-interest bearing	60,000	-	-	60,000	60,000
Installment note payable for 2004 DDA Property Purchase, payable in annual installments of \$25,000 to \$45,000 through November 1, 2011; interest at 4.55%	185,000	-	30,000	155,000	35,000
<b>Total Component Units</b>	<b><u>\$4,383,660</u></b>	<b><u>\$ -</u></b>	<b><u>\$190,332</u></b>	<b><u>\$4,193,328</u></b>	<b><u>\$266,395</u></b>

The annual requirements to amortize all debt outstanding (excluding accrued compensated absences) as of June 30, 2008 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,127,228	\$ 599,169	\$ 266,395	\$ 126,903
2010	1,112,222	554,320	212,387	119,121
2011	1,164,705	506,384	223,426	111,003
2012	1,177,296	457,328	339,682	102,347
2013	1,219,999	404,355	380,949	115,096
2014-2018	6,657,838	1,154,582	1,424,052	386,705
2019-2023	1,400,000	81,876	1,366,437	138,108
<b>Total</b>	<b><u>\$13,859,288</u></b>	<b><u>\$3,758,015</u></b>	<b><u>\$4,193,328</u></b>	<b><u>\$1,099,263</u></b>

### 10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees (workers' compensation); medical benefits provided to employees; and natural disasters. The City has purchased commercial insurance to cover risks of losses for all of these areas except workers compensation. The City participates in the Michigan Municipal League (MML) risk pool program for claims relating to workers' compensation. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.



# CITY OF WALKER

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

The MML risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### 11. OTHER POST EMPLOYMENT BENEFITS

The City provides health care benefits to all full-time employees upon retirement, in accordance with various labor agreements. Currently, 35 retirees are eligible. The City includes pre-Medicare retirees in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums come due; during the year this amounted approximately \$96,882.

**Future Reporting Change** – The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for the local units of government in recognizing the cost of retiree health care as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care coverage premiums are paid. This new pronouncement will be effective for the year ending June 30, 2009.

### 12. RESTATEMENTS

Beginning net assets and fund balances of the city and its component units have been restated to properly reflect the affect of the following:

	<u>City Governmental Activities</u>	<u>Capital Equipment Replacement Internal Service fund</u>	<u>General fund</u>	<u>Component Unit Downtown Development Authority</u>	<u>Component Unit Brownfield Redevelopment Authority</u>
To record net pension asset for extra contributions made	\$122,832	\$ -	\$ -	\$ -	\$ -
To reclassify streetscape and parking activities from the City's governmental activities to the DDA	(93,869)	-	-	93,869	-
To correctly record accrued sick pay at 75% payout	596,554	(9,183)	-	-	-
To record Dispatch Training fund	6,419	-	-	-	-
To record previously unrecorded inventory	49,087	33,527	-	-	-
To recognize deposit used in previous years	-	-	-	(50,000)	-
To reverse accounts receivable	-	-	-	-	(100,509)
To record additional income tax accounts receivable	-	-	749,296	-	-

Other governmental funds beginning fund balances were increased by \$15,560 to record previously unrecorded inventory.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

# CITY OF WALKER

## GENERAL FUND SCHEDULE OF REVENUES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
<b>Taxes</b>				
Income taxes	\$ 8,000,000	\$ 8,000,000	\$ 8,044,718	\$ 44,718
Real and personal property taxes	1,355,500	1,355,500	1,389,410	13,910
Payments in lieu of tax	2,000	2,000	1,693	(307)
Collection fees	417,000	417,000	420,428	3,428
<b>Total taxes</b>	<b>9,774,500</b>	<b>9,774,500</b>	<b>9,836,247</b>	<b>61,747</b>
<b>Licenses and permits</b>				
Business	6,000	6,000	13,020	7,020
Nonbusiness	388,400	289,400	243,881	(45,509)
Liquor license fees	14,000	14,000	14,555	555
<b>Total licenses and permits</b>	<b>409,400</b>	<b>309,400</b>	<b>271,456</b>	<b>(37,934)</b>
<b>Intergovernmental - state</b>				
State-shared revenue	1,700,000	1,700,000	1,686,946	(13,054)
<b>Cable franchise fees</b>	<b>170,000</b>	<b>170,000</b>	<b>195,876</b>	<b>25,876</b>
<b>Charges for services</b>				
Planning and zoning fees	51,500	41,500	35,907	(5,593)
Recreation fees	92,300	92,300	77,406	(14,894)
Dispatch fees	38,000	38,000	40,000	4,000
Administrative fees	27,000	27,000	30,000	3,000
<b>Total charges for services</b>	<b>208,800</b>	<b>196,800</b>	<b>183,313</b>	<b>(13,487)</b>
<b>Fines</b>				
Ordinance fines	998,640	778,840	775,611	(3,029)
<b>Interest and rentals</b>	<b>170,000</b>	<b>170,000</b>	<b>193,097</b>	<b>23,097</b>
<b>Donations</b>	<b>20,000</b>	<b>20,000</b>	<b>28,329</b>	<b>8,329</b>
<b>Other revenue</b>	<b>247,400</b>	<b>347,400</b>	<b>331,811</b>	<b>(15,589)</b>
<b>Total revenues</b>	<b>\$ 13,676,740</b>	<b>\$ 13,446,740</b>	<b>\$ 13,502,798</b>	<b>\$ 27,727</b>

# CITY OF WALKER

## GENERAL FUND SCHEDULE OF EXPENDITURES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

Expenditures	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Current				
Judicial				
District court	\$ 894,782	\$ 867,782	\$ 982,606	\$ (14,723)
General government				
City Council	86,830	86,830	93,754	(6,924)
City managers office	652,396	637,396	640,637	(3,241)
Elections	37,500	37,500	32,114	5,386
Finance department	147,380	147,380	144,832	2,448
Treasurer	140,280	140,280	133,289	6,991
Income tax	324,969	324,969	303,393	21,566
City assessor	236,513	236,513	240,930	(4,417)
City clerk	214,346	214,346	228,451	(14,105)
Buildings and grounds	532,151	532,151	545,648	(13,497)
	<u>2,372,355</u>	<u>2,357,355</u>	<u>2,363,148</u>	<u>(5,793)</u>
Public safety				
Police department	4,720,816	4,720,816	4,653,135	67,681
Fire department	1,454,883	1,454,883	1,452,492	1,391
Building inspections	607,945	607,945	498,576	11,369
	<u>6,683,644</u>	<u>6,683,644</u>	<u>6,603,203</u>	<u>80,441</u>
Public works				
City engineer	303,545	291,545	273,592	17,953
Drains	128,163	97,163	98,347	(1,184)
Street lighting	175,000	175,000	187,700	(12,700)
	<u>606,708</u>	<u>563,708</u>	<u>559,639</u>	<u>4,069</u>
Culture and recreation				
Parks	327,931	327,931	322,385	5,546
Recreation	202,345	198,345	171,613	24,732
Museum	3,500	3,500	4,711	(1,211)
	<u>533,776</u>	<u>527,776</u>	<u>498,709</u>	<u>29,067</u>
Planning and economic development				
Planning	121,539	121,539	123,715	(2,176)
Zoning	9,200	9,200	6,660	2,560
	<u>130,739</u>	<u>130,739</u>	<u>130,365</u>	<u>374</u>
Other				
Referee insurance	139,000	139,000	129,453	9,547
Property and liability insurance	170,000	170,000	161,228	8,772
Other unclassified expenses	541,715	481,715	436,977	44,738
	<u>850,715</u>	<u>790,715</u>	<u>727,658</u>	<u>63,057</u>
Total expenditures	\$ 12,072,719	\$ 11,921,719	\$ 11,765,227	\$ 156,492

# CITY OF WALKER

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

JUNE 30, 2008

	Special Revenue			
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Ice and Fitness Program</u>	<u>Special Vice Investigation</u>
<b>Assets</b>				
Cash and pooled investments	\$ 162,313	\$ 78,099	\$ 151,012	\$ 163,745
Accounts receivable	-	-	8,133	-
Accrued interest	-	-	21	334
Special assessment receivable	-	-	-	-
Due from other governments	177,752	65,715	-	-
Due from other funds	2,017	-	-	-
Inventory	<u>7,780</u>	<u>7,780</u>	<u>192,435</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 349,862</u>	<u>\$ 151,594</u>	<u>\$ 351,601</u>	<u>\$ 164,079</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 60,384	\$ 50,933	\$ 80,578	\$ -
Accrued liabilities	12,430	5,327	9,419	-
Due to other funds	-	2,017	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>72,814</u>	<u>58,277</u>	<u>89,997</u>	<u>-</u>
<b>Fund balances</b>				
Reserved				
Inventory	7,780	7,780	192,435	-
Unreserved				
Undesignated	<u>269,268</u>	<u>85,537</u>	<u>69,169</u>	<u>164,079</u>
<b>Total fund balances</b>	<u>277,048</u>	<u>93,317</u>	<u>261,604</u>	<u>164,079</u>
<b>Total liabilities and fund balances</b>	<u>\$ 349,862</u>	<u>\$ 151,594</u>	<u>\$ 351,601</u>	<u>\$ 164,079</u>

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**Debt Service**

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<u>Dispatch Training</u>	<u>1996-B</u>	<u>1998/2006</u>	<u>1999/2005</u>	<u>Total</u>
\$ 6,690	\$ 108,111	\$ 1,686	\$ 1,832	\$ 673,488
-	-	-	-	8,133
-	593	-	-	948
-	10,190	-	-	10,190
-	-	-	-	243,467
-	-	-	-	2,017
-	-	-	-	207,995
<u>\$ 6,690</u>	<u>\$ 118,894</u>	<u>\$ 1,686</u>	<u>\$ 1,832</u>	<u>\$ 1,146,238</u>
\$ 2,665	\$ -	\$ -	\$ -	\$ 194,560
-	(688)	-	-	26,488
-	-	-	-	2,017
-	10,190	-	-	10,190
<u>2,665</u>	<u>9,502</u>	<u>-</u>	<u>-</u>	<u>233,255</u>
-	-	-	-	207,995
<u>4,025</u>	<u>109,392</u>	<u>1,686</u>	<u>1,832</u>	<u>704,988</u>
<u>4,025</u>	<u>109,392</u>	<u>1,686</u>	<u>1,832</u>	<u>912,983</u>
<u>\$ 6,690</u>	<u>\$ 118,894</u>	<u>\$ 1,686</u>	<u>\$ 1,832</u>	<u>\$ 1,146,238</u>

# CITY OF WALKER

## NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Special Revenue</u>			
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Ice and Fitness Program</u>	<u>Special Vice Investigation</u>
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ 1,161,931	\$ 403,118	\$ -	\$ -
Local	148,500	-	-	20,356
Charges for services	-	-	1,201,475	-
Special assessments	-	-	-	-
Investment earnings	2,141	2,767	2,282	7,993
Miscellaneous	-	-	5,500	-
<b>Total revenues</b>	<u>1,312,572</u>	<u>405,885</u>	<u>1,209,257</u>	<u>28,349</u>
<b>Expenditures</b>				
Current				
Public safety	-	-	-	64,393
Public works	1,658,899	926,182	-	-
Culture and recreation	-	-	1,165,780	-
Debt service				
Principal	105,000	-	-	-
Interest	67,826	-	-	-
<b>Total expenditures</b>	<u>1,831,725</u>	<u>926,182</u>	<u>1,165,780</u>	<u>64,393</u>
Revenues over (under) expenditures	<u>(519,153)</u>	<u>(520,297)</u>	<u>43,477</u>	<u>(36,044)</u>
Other financing sources (uses)				
Transfers in	465,298	501,363	668,875	-
Transfers out	-	-	(678,875)	-
<b>Total other financing sources (uses)</b>	<u>465,298</u>	<u>501,363</u>	<u>(10,000)</u>	<u>-</u>
Net changes in fund balances	(53,855)	(18,934)	33,477	(36,044)
<b>Fund balances, beginning of year</b>	<u>330,903</u>	<u>112,251</u>	<u>228,127</u>	<u>200,123</u>
<b>Fund balances, end of year</b>	<u>\$ 277,048</u>	<u>\$ 93,317</u>	<u>\$ 261,604</u>	<u>\$ 164,079</u>

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**Debt Service**

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<u>Dispatch Training</u>	<u>1996-B</u>	<u>1998/2006</u>	<u>1999/2005</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,585,049
-	-	-	-	168,856
-	-	-	-	1,201,475
-	3,438	-	-	3,438
271	5,980	577	501	22,512
-	-	-	-	5,500
<u>271</u>	<u>9,418</u>	<u>577</u>	<u>501</u>	<u>2,966,830</u>
2,865	-	-	-	67,058
-	-	-	-	2,585,081
-	-	-	-	1,165,780
-	30,000	430,000	365,000	930,000
-	6,030	249,100	287,498	610,454
<u>2,865</u>	<u>36,030</u>	<u>679,100</u>	<u>652,498</u>	<u>5,358,373</u>
<u>(2,394)</u>	<u>(26,612)</u>	<u>(678,523)</u>	<u>(651,997)</u>	<u>(2,391,543)</u>
-	-	678,875	652,048	2,966,459
-	-	-	-	(678,875)
-	-	678,875	652,048	2,287,584
(2,394)	(26,612)	352	51	(103,959)
<u>6,419</u>	<u>136,004</u>	<u>1,334</u>	<u>1,781</u>	<u>1,016,942</u>
<u>\$ 4,025</u>	<u>\$ 109,392</u>	<u>\$ 1,686</u>	<u>\$ 1,832</u>	<u>\$ 912,983</u>



**CITY OF WALKER**  
**MAJOR STREETS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ 1,202,867	\$ 1,139,867	\$ 1,161,931	\$ 22,064
Local	-	-	148,500	148,500
Charges for services	-	-	-	-
Special assessment	-	-	-	-
Investment earnings	20,000	2,000	2,141	141
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>1,222,867</u>	<u>1,141,867</u>	<u>1,312,572</u>	<u>170,705</u>
<b>Expenditures</b>				
Current				
Public safety	-	-	-	-
Public works	1,655,757	1,674,757	1,658,899	15,858
Culture and recreation	-	-	-	-
Debt service				
Principal	105,000	105,000	105,000	-
Interest	67,408	67,408	67,826	(418)
<b>Total expenditures</b>	<u>1,828,165</u>	<u>1,847,165</u>	<u>1,831,725</u>	<u>15,440</u>
Revenues over (under) expenditures	<u>(605,298)</u>	<u>(705,298)</u>	<u>(519,153)</u>	<u>186,145</u>
Other financing sources				
Transfers in	365,298	465,298	465,298	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>365,298</u>	<u>465,298</u>	<u>465,298</u>	<u>-</u>
Net changes in fund balance	(240,000)	(240,000)	(53,855)	186,145
<b>Fund balance, beginning of year</b>	<u>330,903</u>	<u>330,903</u>	<u>330,903</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 90,903</u>	<u>\$ 90,903</u>	<u>\$ 277,048</u>	<u>\$ 186,145</u>

# CITY OF WALKER

## LOCAL STREETS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ 424,851	\$ 394,851	\$ 403,118	\$ 8,267
Local	-	-	-	-
Charges for services	-	-	-	-
Special assessment	-	-	-	-
Investment earnings	1,800	1,800	2,767	967
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>426,651</u>	<u>396,651</u>	<u>405,885</u>	<u>9,234</u>
<b>Expenditures</b>				
Current				
Public safety	-	-	-	-
Public works	898,014	898,014	926,182	(28,168)
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>898,014</u>	<u>898,014</u>	<u>926,182</u>	<u>(28,168)</u>
Revenues over (under) expenditures	<u>(471,363)</u>	<u>(501,363)</u>	<u>(520,297)</u>	<u>(18,934)</u>
Other financing source (uses)				
Transfers in	471,363	501,363	501,363	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>471,363</u>	<u>501,363</u>	<u>501,363</u>	<u>-</u>
Net changes in fund balance	-	-	(18,934)	(18,934)
<b>Fund balance, beginning of year</b>	<u>112,251</u>	<u>112,251</u>	<u>112,251</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 112,251</u>	<u>\$ 112,251</u>	<u>\$ 93,317</u>	<u>\$ (18,934)</u>

# CITY OF WALKER

## ICE AND FITNESS PROGRAM FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ -	\$ -	\$ -	\$ -
Local	-	-	-	-
Charges for services	1,107,850	1,107,850	1,201,475	93,625
Special assessment	-	-	-	-
Investment earnings	1,100	1,100	2,282	1,182
Miscellaneous	600	600	5,500	4,900
<b>Total revenues</b>	<u>1,109,550</u>	<u>1,109,550</u>	<u>1,209,257</u>	<u>99,707</u>
<b>Expenditures</b>				
Current				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	1,099,758	1,099,758	1,165,780	(66,022)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>1,099,758</u>	<u>1,099,758</u>	<u>1,165,780</u>	<u>(66,022)</u>
Revenues over (under) expenditures	<u>9,792</u>	<u>9,792</u>	<u>43,477</u>	<u>33,685</u>
Other financing source (uses)				
Transfers in	669,308	669,308	668,875	(433)
Transfers out	(679,100)	(679,100)	(678,875)	225
Total other financing sources (uses)	<u>(9,792)</u>	<u>(9,792)</u>	<u>(10,000)</u>	<u>(208)</u>
Net changes in fund balance	-	-	33,477	33,477
Fund balance, beginning of year	<u>228,127</u>	<u>228,127</u>	<u>228,127</u>	-
Fund balance, end of year	<u>\$ 228,127</u>	<u>\$ 228,127</u>	<u>\$ 261,604</u>	<u>\$ 33,477</u>

# CITY OF WALKER

## SPECIAL VICE INVESTIGATION FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ -	\$ -	\$ -	\$ -
Local	21,000	21,000	20,356	(644)
Charges for services	-	-	-	-
Special assessment	-	-	-	-
Investment earnings	-	-	7,993	7,993
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<u>21,000</u>	<u>21,000</u>	<u>28,349</u>	<u>7,349</u>
<b>Expenditures</b>				
Current				
Public safety	110,000	110,000	64,393	45,607
Highways and streets	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>110,000</u>	<u>110,000</u>	<u>64,393</u>	<u>45,607</u>
<b>Revenues over (under) expenditures</b>	<u>(89,000)</u>	<u>(89,000)</u>	<u>(36,044)</u>	<u>52,956</u>
<b>Other financing source (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balance</b>	<u>(89,000)</u>	<u>(89,000)</u>	<u>(36,044)</u>	<u>52,956</u>
<b>Fund balance, beginning of year</b>	<u>200,123</u>	<u>200,123</u>	<u>200,123</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 111,123</u>	<u>\$ 111,123</u>	<u>\$ 164,079</u>	<u>\$ 52,956</u>

# CITY OF WALKER

## DISPATCH TRAINING FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Special assessment	-	-	-	-
Investment earnings	-	-	271	271
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>271</u>	<u>271</u>
<b>Expenditures</b>				
Current				
Public safety	-	-	2,665	(2,665)
Highways and streets	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>2,665</u>	<u>(2,665)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(2,394)</u>	<u>(2,394)</u>
Other financing source (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	-	-	(2,394)	(2,394)
<b>Fund balance, beginning of year</b>	<u>6,419</u>	<u>6,419</u>	<u>6,419</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 6,419</u>	<u>\$ 6,419</u>	<u>\$ 4,025</u>	<u>\$ (2,394)</u>

**CITY OF WALKER**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**JUNE 30, 2008**

	<u>District Court</u>	<u>Current tax Fund</u>	<u>Trust and Agency</u>	<u>Flexible Spending</u>
<b>Assets</b>				
Cash and pooled investments	\$ 106,375	\$ 36,664	\$ 249,423	\$ 11,208
Accrued interest	-	-	384	-
<b>Total assets</b>	<u>\$ 106,375</u>	<u>\$ 36,664</u>	<u>\$ 249,807</u>	<u>\$ 11,208</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ (3,792)
Due to other funds	61,208	-	-	15,000
Deposits	20,263	-	249,807	-
Due to other governmental units	<u>24,904</u>	<u>36,664</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>\$ 106,375</u>	<u>\$ 36,664</u>	<u>\$ 249,807</u>	<u>\$ 11,208</u>

<u>Other</u>		<u>Total</u>	
<u>Agency</u>			
\$	13,302	\$	416,972
	-		384
<u>          </u>		<u>          </u>	
\$	13,302	\$	417,356
<u>          </u>		<u>          </u>	
\$	5,629	\$	1,837
	-		76,208
	7,673		277,743
	-		61,568
<u>          </u>		<u>          </u>	
\$	13,302	\$	417,356
<u>          </u>		<u>          </u>	

**CITY OF WALKER**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b><u>District Court</u></b>				
<b>Assets</b>				
Cash and pooled investments	\$ 137,166	\$ 1,148,084	\$ 1,178,855	\$ 106,375
<b>Liabilities</b>				
Deposits	\$ 26,792	\$ 150,507	\$ 157,036	\$ 20,263
Due to other funds	68,674	684,387	701,863	61,208
Due to other governmental units	41,700	303,180	319,958	24,904
<b>Total liabilities</b>	<b>\$ 137,166</b>	<b>\$ 1,148,064</b>	<b>\$ 1,178,855</b>	<b>\$ 106,375</b>
<b><u>Current Tax Collection Fund</u></b>				
<b>Assets</b>				
Cash and pooled investments	\$ -	\$ 14,751,512	\$ 14,714,848	\$ 36,664
<b>Liabilities</b>				
Due to other funds	\$ -	\$ 4,070,711	\$ 4,070,711	\$ -
Due to other governmental units	-	10,680,801	10,644,137	36,664
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 14,751,512</b>	<b>\$ 14,714,848</b>	<b>\$ 36,664</b>
<b><u>Trust and Agency Fund</u></b>				
<b>Assets</b>				
Cash and pooled investments	\$ 632,359	\$ 362,140	\$ 745,075	\$ 249,423
Accrued interest	4,642	383	4,641	384
<b>Total assets</b>	<b>\$ 637,001</b>	<b>\$ 362,523</b>	<b>\$ 749,716</b>	<b>\$ 249,807</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits	637,001	362,140	749,334	249,807
<b>Total liabilities</b>	<b>\$ 637,001</b>	<b>\$ 362,140</b>	<b>\$ 749,334</b>	<b>\$ 249,807</b>
<b><u>Flexible Spending</u></b>				
<b>Assets</b>				
Cash and pooled investments	\$ 11,816	\$ 92,048	\$ 92,656	\$ 11,208
<b>Liabilities</b>				
Accounts payable	\$ 2,816	\$ 92,048	\$ 98,656	\$ (3,792)
Due to other funds	9,000	6,000	-	15,000
	<b>\$ 11,816</b>	<b>\$ 98,048</b>	<b>\$ 98,656</b>	<b>\$ 11,208</b>

(continued)



**CITY OF WALKER**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
<b><u>Other Agency Funds</u></b>				
<b>Assets</b>				
Cash and pooled investments	\$ 20,582	\$ 4,701,314	\$ 4,708,584	\$ 13,302
<b>Liabilities</b>				
Accounts payable	\$ 4,197	\$ 3,891,826	\$ 3,890,194	\$ 5,629
Deposits	16,385	809,688	818,400	7,673
	<u>\$ 20,582</u>	<u>\$ 4,701,314</u>	<u>\$ 4,708,584</u>	<u>\$ 13,302</u>
<b><u>Total - All Agency Funds</u></b>				
<b>Assets</b>				
Cash and pooled investments	\$ 801,923	\$ 21,055,078	\$ 21,440,028	\$ 416,972
Accrued interest	4,642	383	4,641	384
<b>Total assets</b>	<u>\$ 806,565</u>	<u>\$ 21,055,461</u>	<u>\$ 21,444,669</u>	<u>\$ 417,356</u>
<b>Liabilities</b>				
Accounts payable	\$ 7,013	\$ 3,983,674	\$ 3,988,850	\$ 1,837
Due to other funds	77,674	4,771,108	4,772,574	76,208
Deposits	680,178	1,322,335	1,724,770	277,743
Due to other governmental units	41,700	10,983,961	10,964,093	61,568
<b>Total liabilities</b>	<u>\$ 806,565</u>	<u>\$ 21,061,078</u>	<u>\$ 21,450,287</u>	<u>\$ 417,356</u>

(concluded)

# CITY OF WALKER

## DOWNTOWN DEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Fund Type				Adjustments	Statement of Net Assets
	General Fund	Streetscape Maintenance	Parking Lot	Totals		
<b>Assets</b>						
Cash and pooled investments	\$ 191,710	\$ 71,839	\$ 2,831	\$ 266,380	\$ -	\$ 266,380
Accounts receivable	48,667	-	-	48,667	-	48,667
Special assessment receivable	-	21,323	2,783	24,106	-	24,106
Unamortized bond issuance costs	-	-	-	-	26,025	26,025
Capital assets						
Land	-	-	-	-	1,463,159	1,463,159
Depreciable capital assets, net	-	-	-	-	2,536,781	2,536,781
<b>Total assets</b>	<b>\$ 240,377</b>	<b>\$ 93,162</b>	<b>\$ 5,614</b>	<b>\$ 339,153</b>	<b>4,025,965</b>	<b>4,365,118</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 97,445	\$ 6,335	\$ -	\$ 103,780	-	103,780
Accrued liabilities	-	-	-	-	22,666	22,666
Deferred revenue	48,667	21,323	2,783	72,773	(70,773)	-
Noncurrent liabilities						
Due within one year	-	-	-	-	240,807	240,807
Due in more than one year	-	-	-	-	2,760,654	2,760,654
<b>Total liabilities</b>	<b>144,112</b>	<b>27,658</b>	<b>2,783</b>	<b>174,553</b>	<b>2,953,574</b>	<b>3,126,127</b>
<b>Fund balances</b>						
Unreserved						
Undesignated	96,265	65,504	2,831	164,600	(184,800)	
<b>Total liabilities and fund balances</b>	<b>\$ 240,377</b>	<b>\$ 93,162</b>	<b>\$ 5,614</b>	<b>\$ 339,153</b>		
<b>Net assets</b>						
Invested in capital assets, net of related debt					1,024,304	1,024,304
Unrestricted					212,687	212,687
<b>Total net assets</b>					<b>\$ 1,236,991</b>	<b>\$ 1,236,991</b>

# CITY OF WALKER

## DOWNTOWN DEVELOPMENT AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Fund Type				Adjustments	Statement of Net Assets
	General Fund	Streetscape Maintenance	Parking Lot	Totals		
<b>Revenues</b>						
Taxes	\$ 334,955	\$ -	\$ -	\$ 334,955	\$ -	\$ 334,955
Special assessments	23,333	-	-	23,333	45,667	70,000
Investment earnings	8,354	2,321	616	11,291	-	11,291
Miscellaneous	3,000	110,744	28,435	142,179	718	142,897
	<u>369,642</u>	<u>113,065</u>	<u>29,051</u>	<u>511,758</u>	<u>47,385</u>	<u>559,143</u>
<b>Expenditures/expenses</b>						
Current						
Community development	92,744	101,276	42,986	237,006	37,881	274,887
Debt Service						
Principal	165,308	-	-	165,308	(165,308)	-
Interest	129,771	-	-	129,771	4,235	134,006
	<u>387,823</u>	<u>101,276</u>	<u>42,986</u>	<u>532,085</u>	<u>(123,192)</u>	<u>408,893</u>
<b>Revenues over (under) expenditures/expenses</b>	<u>(18,181)</u>	<u>11,789</u>	<u>(13,935)</u>	<u>(20,327)</u>	<u>170,577</u>	<u>150,250</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	<u>(18,181)</u>	<u>11,789</u>	<u>(13,935)</u>	<u>(20,327)</u>	<u>20,327</u>	
<b>Change in net assets</b>					<u>150,250</u>	<u>150,250</u>
<b>Fund balances/net assets, beginning of year, as restated</b>	<u>114,446</u>	<u>53,715</u>	<u>16,766</u>	<u>184,927</u>		<u>1,088,741</u>
<b>Fund balances/net assets, end of year</b>	<u>\$ 96,265</u>	<u>\$ 65,504</u>	<u>\$ 2,831</u>	<u>\$ 164,500</u>		<u>\$ 1,238,991</u>

**DDA GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Taxes	\$ 335,000	\$ 335,000	\$ 334,955	\$ (45)
Special assessments	-	-	23,333	23,333
Investment earnings	8,000	8,000	8,354	354
Miscellaneous	<u>175,000</u>	<u>175,000</u>	<u>3,000</u>	<u>(172,000)</u>
<b>Total revenues</b>	<u>518,000</u>	<u>518,000</u>	<u>369,642</u>	<u>(148,358)</u>
<b>Expenditures</b>				
Current				
Community development	55,000	55,000	92,744	(37,744)
Debt service				
Principal	185,600	185,600	165,308	20,292
Interest	<u>112,700</u>	<u>112,700</u>	<u>129,771</u>	<u>(17,071)</u>
<b>Total expenditures</b>	<u>353,300</u>	<u>353,300</u>	<u>387,823</u>	<u>(34,523)</u>
Net changes in fund balance	164,700	164,700	(18,181)	(182,881)
Fund balance, beginning of year, as restated	<u>114,446</u>	<u>114,446</u>	<u>114,446</u>	<u>-</u>
Fund balance, end of year	<u>\$ 279,146</u>	<u>\$ 279,146</u>	<u>\$ 96,265</u>	<u>\$ (182,881)</u>

**DDA STREETSCAPE MAINTENANCE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Investment earnings	-	-	2,321	2,321
Miscellaneous	-	-	110,744	110,744
<b>Total revenues</b>	-	-	113,065	113,065
<b>Expenditures</b>				
Current				
Community development	99,000	99,000	101,276	(2,276)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	99,000	99,000	101,276	(2,276)
Net changes in fund balance	(99,000)	(99,000)	11,789	110,789
<b>Fund balance, beginning of year</b>	53,715	53,715	53,715	-
<b>Fund balance, end of year</b>	\$ (45,285)	\$ (45,285)	\$ 65,504	\$ 110,789

# CITY OF WALKER

## DDA PARKING LOT SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Investment earnings	-	-	616	616
Miscellaneous	-	-	28,435	28,435
<b>Total Revenues</b>	-	-	29,051	29,051
<b>Expenditures</b>				
Current				
Community development	60,000	60,000	42,986	17,014
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	60,000	60,000	42,986	17,014
Net changes in fund balance	(60,000)	(60,000)	(13,935)	46,065
Fund balance, beginning of year	16,766	16,766	16,766	-
Fund balance, end of year	\$ (43,234)	\$ (43,234)	\$ 2,831	\$ 46,065

# CITY OF WALKER

## BROWNFIELD REDEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET ASSETS

JUNE 30, 2008

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and pooled investments	\$ 113,532	\$ -	\$ 113,532
Accounts receivable	-	1,021,112	1,021,112
Due from other governmental units	-	-	-
<b>Total assets</b>	<u>\$ 113,532</u>	<u>1,021,112</u>	<u>1,134,644</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accrued liabilities	\$ -	1,437	1,437
Deferred revenue	-	-	-
Noncurrent liabilities			
Due within one year	-	25,588	25,588
Due in more than one year	-	1,166,079	1,166,079
<b>Total liabilities</b>	-	<u>1,193,104</u>	<u>1,193,104</u>
<b>Fund balances</b>			
Unreserved			
Undesignated	<u>113,532</u>	<u>(113,532)</u>	
<b>Total liabilities and fund balances</b>	<u>\$ 113,532</u>		
<b>Net assets</b>			
Unrestricted (deficit)		<u>\$ (58,460)</u>	<u>\$ (58,460)</u>

# CITY OF WALKER

## BROWNFIELD REDEVELOPMENT AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>Revenues</b>			
Taxes	\$ 99,375	\$ -	\$ 99,375
Investment earnings	3,215	-	3,215
Miscellaneous	-	-	-
	<u>102,590</u>	<u>-</u>	<u>102,590</u>
<b>Expenditures/expenses</b>			
Current			
Public works	68,100	-	68,100
Debt Service			
Principal	25,024	(25,024)	-
Interest	4,876	15	4,891
	<u>98,000</u>	<u>(25,009)</u>	<u>72,991</u>
<b>Revenues over (under) expenditures/expenses</b>	<u>4,590</u>	<u>(25,009)</u>	<u>29,599</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	4,590	(4,590)	
<b>Change in net assets</b>		29,599	29,599
<b>Fund balances/net assets, beginning of year, as restated</b>	<u>108,942</u>		<u>(88,059)</u>
<b>Fund balances/net assets, end of year</b>	<u>\$ 113,532</u>		<u>\$ (58,460)</u>



**BROWNFIELD GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 99,375	\$ 99,375
Investment earnings	-	-	3,215	3,215
Miscellaneous	-	-	-	-
<b>Total revenues</b>	-	-	102,590	102,590
<b>Expenditures</b>				
Current				
Public works	-	-	68,100	(68,100)
Debt service				
Principal	-	-	25,024	(25,024)
Interest	-	-	4,876	(4,876)
<b>Total expenditures</b>	-	-	98,000	(98,000)
Net changes in fund balance	-	-	4,590	4,590
Fund balance, beginning of year	108,942	108,942	108,942	-
Fund balance, end of year	\$ 108,942	\$ 108,942	\$ 113,532	\$ 4,590



## *Vredeveld Haefner LLC*

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October 24, 2008

Honorable Mayor and Members of the City Commission  
City of Walker, Michigan

In planning and performing our audit of the financial statements of the City of Walker, as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Walker's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency and another deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control.

There are currently several agency accounts not recorded in the general ledger of the City. At June 30, 2008, these accounts totaled approximately \$160,000. While these accounts are monitored and reconciled, they should be included in the general ledger of the City to assure accurate and complete financial reporting on a monthly basis.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the entity's financial statements will not be prevented or detected by the entity's internal control. We believe the following deficiency constitutes a material weakness.

Auditing standards emphasize that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statements in conformity with U.S. generally accepted accounting principles and that the auditor cannot be a part of those internal controls.

We noted that the City was not recording several entries which are necessary to prepare fund basis financial statements on the modified accrual basis of accounting or to prepare entity-wide financial statements on the accrual basis of accounting.

This communication is intended solely for the information and use of the City Commissioners and management of the City, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Orlando Haefner LLC*